

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7761

BILL NUMBER: HB 1568

NOTE PREPARED: Apr 5, 2007

BILL AMENDED:

SUBJECT: Marion County government.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Merritt

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Fire Department Consolidation:* The bill provides that the legislative body of the consolidated city may adopt an ordinance, approved by the executive of the consolidated city, to consolidate one or more fire departments of the following into the fire department of a consolidated city:

- (1) A township.
- (2) A fire protection territory.
- (3) The territory in which an airport authority may provide fire protection services (if the consolidation is approved by an ordinance adopted by the governing body of the airport authority).

Public Meeting on Consolidation: It provides that the consolidation ordinance may not be adopted unless the legislative body of the consolidated city holds a public hearing on the proposed consolidation and determines that reasonable and adequate fire protection can be provided through consolidation and that the consolidation is in the public interest.

Transition: The bill specifies that the ordinance may provide for a transition period and may prescribe a process for the transition. It also provides that the property, equipment, records, rights, contracts (including labor contracts), and indebtedness related to fire protection services of the fire departments being consolidated are transferred to or assumed by the consolidated city.

Excluded City Inclusion: The bill establishes the process by which the fire department of an excluded city may be consolidated into the fire department of a consolidated city.

Pension: It provides that a firefighter who is a member of the 1937 or 1977 fund remains a member of the

same fund after the consolidation.

Property Tax Levy Limits: The bill exempts from the property tax levy limits any amounts imposed by a consolidated city to fund indebtedness assumed, defeased, paid, or refunded in connection with the consolidation of fire departments into the fire department of a consolidated city.

The bill also provides that the property tax levy limit is increased for a consolidated city by the amount equal to the property tax levy for taxes for fire protection and related services by each entity whose fire department is consolidated into the fire department of the consolidated city and that the property tax levy limit is reduced for each entity.

Building and Equipment Fund: The bill specifies that the balance in the cumulative building and equipment fund for fire protection and related services of each entity whose fire department is consolidated into the fire department of the consolidated city be transferred to the consolidated city's cumulative building and equipment fund for fire protection and related services.

County Option Income Tax: It specifies that if a township or excluded city fire department is consolidated into the consolidated fire department, the monthly distributive shares of county option income taxes distributed to the township or excluded city shall be reduced by a percentage (which may not be less than 66%) set forth in the consolidation ordinance. It also provides that these county option income taxes shall instead be distributed as additional distributive shares to Indianapolis/Marion County.

Conformance: The bill makes conforming changes.

Marion County Consolidations: The bill does the following in Marion County:

- (1) It provides that beginning January 1, 2010, the duties of the township assessor are performed by the county assessor.
- (2) It provides that no township assessor shall be elected in the 2010 general election.
- (3) It provides that the office of township assessor is eliminated December 31, 2010.
- (4) It requires the legislative body of a county containing a consolidated city to establish a commission on the consolidation of township assessors. Provides that the commission is established January 1, 2008, and terminates December 31, 2009. Requires the commission to meet and prepare any reports required in the resolution establishing the commission to make recommendations regarding consolidation of assessor functions.
- (5) It provides that beginning on January 1, 2010, the township assessors of a county containing a consolidated city shall assist the county assessor in performing the functions previously performed by the township assessors and shall serve as a board to provide advice and counsel to the county assessor regarding the consolidation of township assessors. Specifies that the county assessor shall be a member of and shall chair the board. Provides that the board terminates December 31, 2010.
- (6) It provides that ordinances and resolutions concerning budgets and appropriations for judicial officers and certain county officers are subject to veto. (Current law exempts those ordinances and resolutions from veto.)
- (7) It makes legislative findings concerning the need for government consolidation in Marion County.

Effective Date: Upon passage; January 1, 2007; July 1, 2007; January 1, 2010.

Explanation of State Expenditures: *All Provisions Regarding Property Tax:* Assuming that taxing units will levy up to their maximum levy authority, the overall total of the affected entities' maximum levies and levies would not change as a result of this proposal. Therefore, state expenses for PTRC and homestead credits would be unaffected by this bill.

Explanation of State Revenues:

Explanation of Local Expenditures: *Marion County Consolidations: Township Assessors* - In a county with a consolidated city, the county assessor will have the same duties and responsibilities as a township assessor in a county without a consolidated city. Included in these duties and responsibilities are the functions of an assessing official and other duties of an assessing official prescribed by statute in each township and in IC 6-1.1 concerning property tax. The county assessor will experience an increase in administrative duties as a result.

There is no township assessor in a county having a consolidated city beginning in 2010, with the township assessor duties transferring to the county assessor beginning January 1, 2010. (Township assessors were elected to a four-year term beginning in 2006.) Township assessors would be required to assist the county assessor with former township assessing functions through the end of 2010.

Also, certain compensation for township officials would not apply in a county having a consolidated city after December 31, 2009. These changes may reduce expenses for local elections and reimbursements.

The legislative body of a consolidated city establishes a commission on the consolidation of township assessors make recommendations concerning the consolidation of the assessor function and to prepare reports required in the resolution. The commission is established on January 1, 2008 and terminates on December 31, 2009.

Background on Township Assessors - In Marion County, the township assessors are currently responsible for all assessment functions in their respective townships. The township assessors in Marion County have several related duties that, in other counties, are the responsibility of the county assessor. Under this proposal, assessing duties are ceded to the county assessor. Most, if not all, of the cost for township assessor services are already paid from the county general fund or the county reassessment fund under current law. CY 2005 appropriations for township assessors were \$5.3 M from the county general fund and \$3.3 M from the county reassessment fund, for a total of \$8.6 M.

Fire Department Consolidation: If the legislative body of a consolidated city adopts an ordinance, the fire departments of townships within the county, any fire protection districts in the county, and an airport authority fire department, if approved by the governing body of the airport authority, would be consolidated into a single fire department. The legislative body would not be able to adopt such an ordinance unless it holds a public meeting and determines that reasonable and adequate fire protection is provided and that the consolidation is in the public interest. The bill removes a requirement that the township legislative body adopt a resolution approving the consolidation.

The consolidated fire department provides services to the entire county except in Beech Grove, Lawrence, and Speedway, unless those excluded cities voluntarily join the consolidated fire department. The fire department of the consolidated city assumes or receives the personnel, agreements with labor organizations, indebtedness related to fire protection services, and merit board duties. However, the consolidated city may not assume indebtedness that will exceed the limitations on the amount of indebtedness that the consolidated

city may incur. The consolidated city assumes the powers, duties, agreements, and liabilities of bonds or other indebtedness.

Assignment of Property and Debt: If the fire departments are consolidated, any property, equipment, records, rights, and contracts are conveyed to the consolidated fire department at the option of the legislative body of the consolidated city. Any cumulative building and equipment fund transfers are deposited in the consolidated city's cumulative building and equipment fund.

The bill would assign all township fire-related debt to the consolidated city. In addition, the consolidated city would assume any fire services-related debt held by the airport fire department or by an excluded city fire department that joins the consolidation. Under the bill, the City may not assume any amount of debt that would cause the consolidated city's total debt to exceed the current 2% debt limit, which equals 2% of 1/3 of the consolidated city's assessed valuation. The 2006 total township fire-related debt levy was \$2.7 M. The only fire debt levy identified for an excluded city was \$575,000 in Lawrence.

Interlocal Agreements: The bill allows the consolidated fire department to provide fire protection services to an excluded city or a fire protection territory for which an excluded city provides fire protection through an interlocal agreement if the legislative body of the excluded city and the city-county legislative body adopt substantially similar ordinances. The ordinances must specify the effective date of the consolidation and the conditions of consolidation.

Pension - After a consolidation, members of the 1937 Fund remain members of the 1937 Fund and members of the 1977 Fund remain members of the 1977 Fund. This should result in no fiscal impact.

Township Fire Levy and Budget Information: The eight suburban townships of Marion County had the following certified budgets, levies, and rates in CY 2005 with respect to fire-related funds.

CY 2006 Township Fire Budgets & Levies									
	Fire Operating			Cumulative Fire			Fire Debt		
Township	Budget	Levy	Rate	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	2,811,682	1,988,943	0.1907	150,150	259,699	0.0249	2,483,590	2,290,361	0.2196
Franklin	7,441,902	4,050,667	0.2098	400,000	378,423	0.0196	770,780	384,215	0.0199
Lawrence	10,478,248	7,505,316	0.2085	1,750,000	799,127	0.0222	0	0	0.0000
Perry	10,045,838	6,725,052	0.2041	1,226,550	708,420	0.0215	0	0	0.0000
Pike	6,535,631	10,189,277	0.2030	1,175,932	1,370,282	0.0273	0	0	0.0000
Warren	13,015,637	7,950,145	0.2557	1,070,138	304,699	0.0098	370,138	0	0.0000
Washington	16,530,457	10,035,464	0.1815	816,433	1,166,657	0.0211	0	0	0.0000
Wayne	17,309,898	12,167,631	0.3827	950,000	855,263	0.0269	0	0	0.0000
TOTAL	84,169,293	60,612,495		7,539,203	5,842,570		3,624,508	2,674,576	

	Fire Pension			TOTAL		
Township	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	0	0	0.0000	5,445,422	4,539,003	0.4352
Franklin	0	0	0.0000	8,612,682	4,813,305	0.2493
Lawrence	0	0	0.0000	12,228,248	8,304,443	0.2307
Perry	505,802	191,109	0.0058	11,778,190	7,624,581	0.2314
Pike	0	0	0.0000	7,711,563	11,559,559	0.2303
Warren	338,639	0	0.0000	14,794,552	8,254,844	0.2655
Washington	1,129,141	171,405	0.0031	18,476,031	11,373,526	0.2057
Wayne	0		0.0000	18,259,898	13,022,894	0.4096
TOTAL	1,973,582	362,514		97,306,586	69,492,155	

Note: The budgets listed in the above tables include certified plus additional appropriations where applicable.

Background - Fire Service Information: There are approximately 36 fire stations (including the Indianapolis International Airport station) in the eight suburban townships of Marion County. There are 8 additional stations in the three excluded cities that have fire departments.

Explanation of Local Revenues: Property Tax Levies in General: This bill would cause fire-related levies and obligations to be transferred from several taxing units in the county to the consolidated city taxing unit. Each of these tax levies is moving from a smaller, more localized tax base to a broader tax base. Except for certain fire pensions, the fire tax rate would be the same for all taxpayers in the consolidated fire district.

Fire Service District Maximum Levies: The consolidated city's maximum permissible levy would be increased by the unused portion of the current fire special service district maximum levies each year. The increase would be limited to 10% of the fire special service district maximum levy. It would appear that the fire special service maximum levy could, over a period of several years, be migrated over to the consolidated city if local authorities wish to do so.

In CY 2006, the maximum levy for the fire special service district was \$35.9 M. The CY 2006 maximum levy is lower than the 2005 amount (\$36.7) because not all of the 2005 levy authority was used. Assuming no growth, the greatest amount that may be transferred each year from the fire district maximum levy to the consolidated city's maximum levy is estimated at \$3.5 M.

Under current law, any levy authority that is not used in a year is lost. This provision allows the consolidated city to capture all unused levy authority in the fire special districts, including both intended migration amounts and the amount, if any, that would have been lost under current law due to a local decision to levy an amount that is less than the maximum.

The bill also requires the special fire district rather than the consolidated city to impose the required levy to meet pension obligations for the 1937 fire pension fund.

Township and Other Fire Department Maximum Levies: The bill would increase the consolidated city's maximum levy by the amount of the fire fund maximum levy of each entity that joins the consolidated fire department. The bill requires the maximum levy of the joining entities to be reduced by the same amount.

Cumulative Fire Building Fund Levies: The bill would establish a cumulative fire building fund in the consolidated city. Cash balances remaining in the joining entities' fire cumulative funds on the consolidation date would be transferred to the consolidated city's cumulative fire fund.

Assessor Duties: For taxes payable in 2011, this bill would increase Marion County's maximum levy by the amount levied by the townships for assessor and related services. Most, if not all, township assessor services are currently paid from the county general fund or the county reassessment fund. There would be little or no increase in the county's maximum levy under this provision.

COIT Revenue: The bill would redirect the 66% of the eight outer townships' shares of revenue from the County Option Income Tax (COIT) to Indianapolis and Marion County. Center Township would not be affected. Sixty-six percent of the 2005 COIT revenue distributed to the eight outer townships totals \$4.7 M.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Marion County; City of Indianapolis; Townships in Marion County; Cities of Indianapolis, Beech Grove, and Lawrence; Town of Speedway.

Information Sources: Local Government Database; 2005 Marion County Budget.

Fiscal Analyst: Karen Firestone, 317-234-2106; Bob Sigalow, 317-232-9859; Jim Sperlik, 317-232-9866.